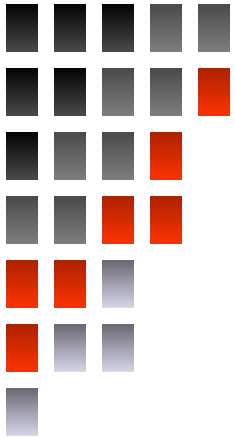
Postage Technology Management

DEPARTMENT OF DEFENSE
MAIL MANAGEMENT CONFERENCE
AUGUST 26, 2004



Revenue Protection Drives Change

Redesigned $20 bill

Color changes from green ... ... to peach ... ... to green.

Faint blue eagle printed in the background

Oval removed around Andrew Jackson

Eagle and shield printed in metallic green ink

Faint blue words "USA Twenty" printed in the background

SOURCES: U.S. Bureau of Printing and Engraving; Associated Press

The Associated Press

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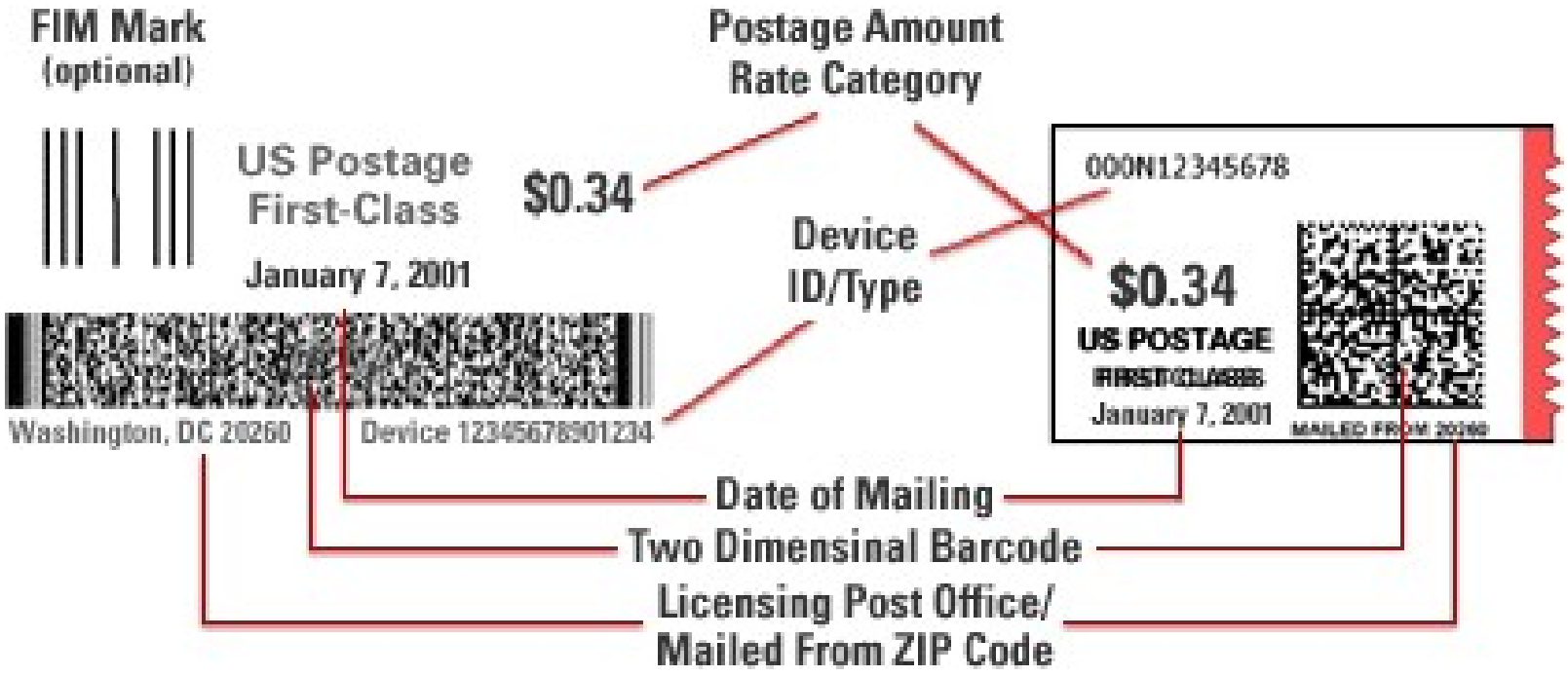
Revenue Protection Drives Change



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And Technology Drives Change

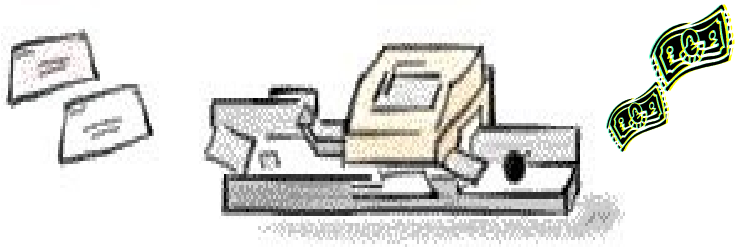
Public adoption of technology advances increases susceptibility to revenue loss…

…and technology advances are developed to counter known susceptibilities

…we strive to stay a step ahead

Background

- 1990’s GAO Report
  - Lack of Industry Oversight
  - Meter Fraud
  - Revenue Loss
- Program Response
  - Regulatory Reform
  - Revenue Protection Strategy
  - Meter Migration to Secure Technology



Regulatory Reform

- Proactive Management of Meter Industry
- Cooperative Efforts to Develop Secure Technology
  - Crypto modules
  - Unique indicia
- Centralization of Data Management
  - Improved audit and control
  - Increased automated processing

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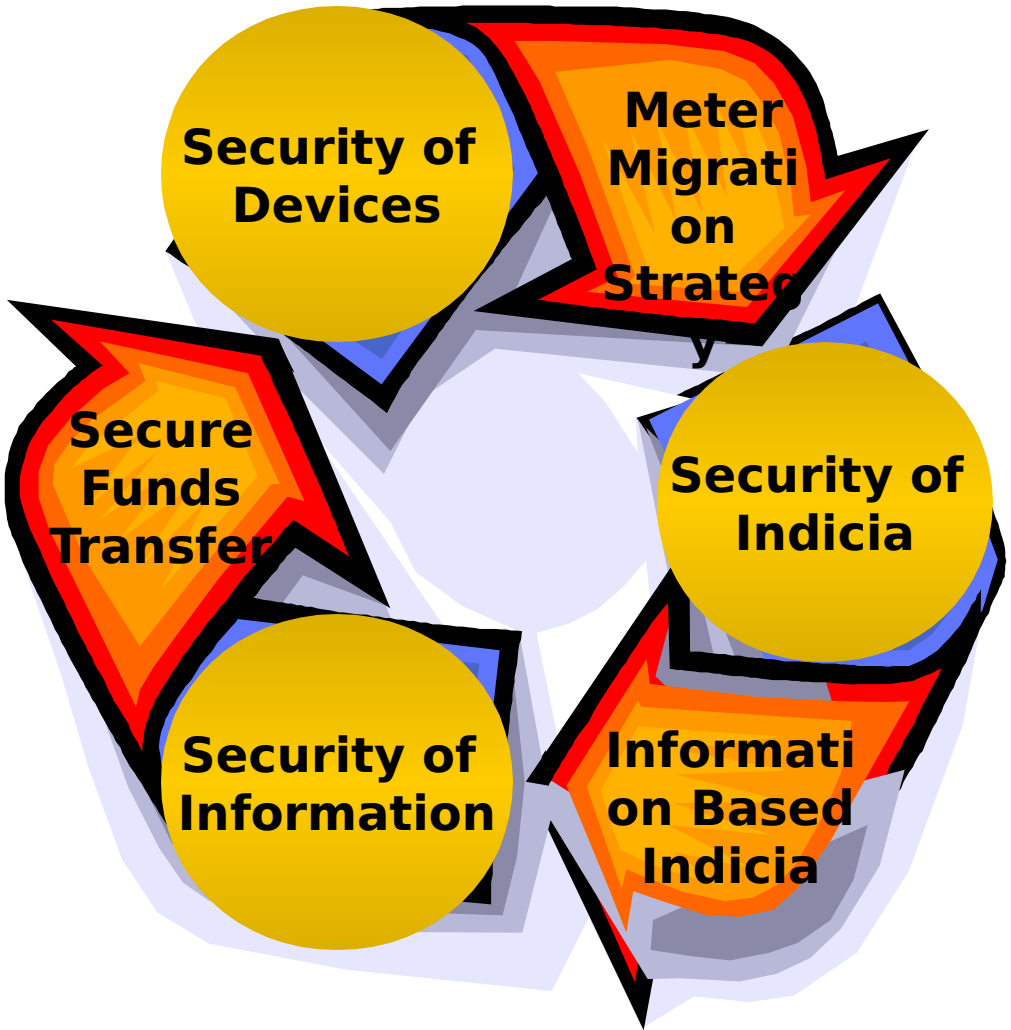
Revenue Protection Response



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Meter Migration Strategy

Plan for Secure Postage Meter Technology

Phases 1 & 2	Removal of most susceptible meter technology -- Mechanical and manual set meter models	**What Happened**
Phases 3 & 4	Scheduled migration -- to digital print technology and counterfeit resistant indicia	**What's Happening**
Phases 5 & 6	No Retirement dates – objective to assist customers in making informed decisions for future meter technology	**What's Not Happening**

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Meter Migration Strategy

Plan for Secure Postage Meter Technology

Phase 1: Mechanical Meters – completed

Phase 2: Manual Set Meters – Proposed retirement date of 05/31/

Phase 3: Rotary Print Head Meters – Current -- Off Market by 12/3

Phase 4: Security Enhanced Rotary Print Head – Off Market by 12/

Phase 5: Non-IBI Digital Print Meter – largest current install base
***No current plans to set retirement dates**

Phase 6: IBI Digital Print Meter – current preferred technology

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Meter Migration Strategy

Phase 1: Mechanical Meters – completed

Phase 2: Manual Set Meters – contract expiration

- Cooperative schedule with Industry to insure replacement technology and minimal disruption for customers
- Retirement of older technology most susceptible to meter tampering
- The only manual set meters continuing in use are controlled by contract and will retire upon contract expiration
- June 15, 2004 Federal Register Notice proposing revision of schedule for Phase 2 meters to retirement date of May 31, 2005 and stop setting date of February 28, 2005

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Meter Migration Strategy

Phase 3: Rotary Print Head Meters – retirement of meters with non-digitally printed in

- Start of migration from letterpress (hard impact of inked printing die) to digital print technology (ink jet, laser, thermal)
- Meters that do not have automatic shut off capability
- No new placements since December 31, 2002
- Off market by December 31, 2006

Phase 4: Security Enhanced Rotary Print Head – Non-digital print meters with automatic shut off c

- Enhanced meters have automatic shut off capability
- No new placements after December 31, 2004 (*revised date)
- All letterpress meters off market by December 31, 2008

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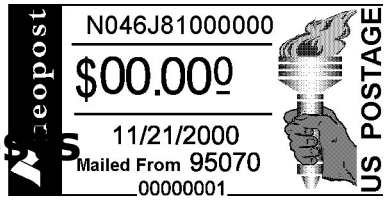
Meter Migration Strategy

Phase 5: Non-IBI Digital Print Meter – largest current install base – no plans for retirem

- All digital meters are not IBI meters
- Cooperation to allow recovery of investment co[illegible]s
- No hard mandates, but IBI is preferred digitally



Phase 6: IBI Digital Print Meter – current preferred technology

- IBI supports Intelligent Mail objectives
- Only meter technology receiving approval
- Significance of unique indicia with IBI
- Anticipate life cycle evolution of security technology versus regulatory action